CITY OF SANTA MARIA

June 2024

ADOPTED 2024-26 BUDGET IN BRIEF

CITY OFFICIALS

Mayor
Alice Patino

Mayor Pro-Tem
Gloria Soto

Councilmembers
Carlos Escobedo
Mike Cordero
Maribel Aguilera-Hernandez

Interim City Manager
Alex Posada

CITY PROFILE

Incorporated
September 12, 1905

Charter City
December 12, 2000

Form of Government
Council-Manager
Full-Service City

Population
110,608

Employees:
732 Full-Time Equivalents
690 FT authorized
601 FT budgeted

Sworn Police Officers
140 Authorized

Fire Stations
6

Firefighting Personnel
80 Authorized

SUMMARY

Expenses are far outpacing revenues and the City must realign operations to achieve long-term sustainability with service reductions or more revenues, or both.

This two-year budget is very challenging with a significant shortfall in revenues, given the slowing growth of tax revenues and substantial expense increases in staff, salaries and benefits, exorbitant increases in insurance of 30 and 40 percent, inflation, and pension costs, to meet the needs of the growing community.

Although General Fund revenues are projected to continue to grow at a steady pace, they are far outpaced by growth in expenses. This is unsustainable. The projected General Fund budget shortfalls are $21.3 million in 2024- 25 and $20.2 million in 2025-26.

The budget for the first year is proposed with a heavy reliance upon three reserve funds (General Fund, Measure U (the local one-cent sales tax add-on) and Local Economic Augmentation Fund). Using these reserves will, in 2024-25, sustain operations and continue to provide the same level of services the community has come to expect. The City Council will want to begin building back the reserves.

The City services are overextended and cannot financially sustain current programs and services, without a significant increase in revenue. For 2025-26, the City must explore strategic measures. Future revenues will continue to be outpaced by operational costs to sustain the levels of service, and this requires careful long-term planning.

The City Council directed staff to examine proposed budget reductions, hence, a broad approach by all departments – except Utilities which is has Enterprise funds – is underway to realign the General Fund and Measure U operating model to achieve long-term financial sustainability.

The total projected revenues for all operating funds in 2024-25 are approximately $267.5 million. Overall, revenue per capita is $2,419.

Total proposed appropriations for all operating funds in 2024-25 are approximately $291.4 million, or $14.4 million more (5.2 percent more) than in 2023-24.

The budget brings City-wide staffing to 690 authorized full-time positions (601 budgeted) and 53 budgeted part-time employees.

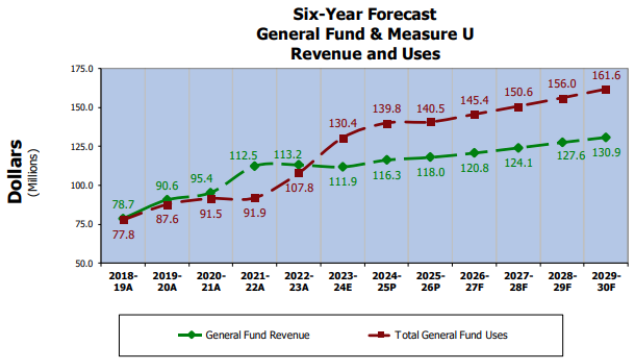
In summary, the budget provides for the continuation of key public services and reflects the needs of the community. But the budget relies on reserves, which by definition are not sustainable. Santa Maria needs more strategies to achieve long-term financial sustainability.

ECONOMIC OVERVIEW

The national economy is experiencing historically high employment, moderate but sticky inflation, and record housing prices despite higher mortgage rates and soaring healthcare costs and insurance premiums. There are signs that the national economy is slowing, and that will affect California's economy.

GENERAL FUND OVERVIEW

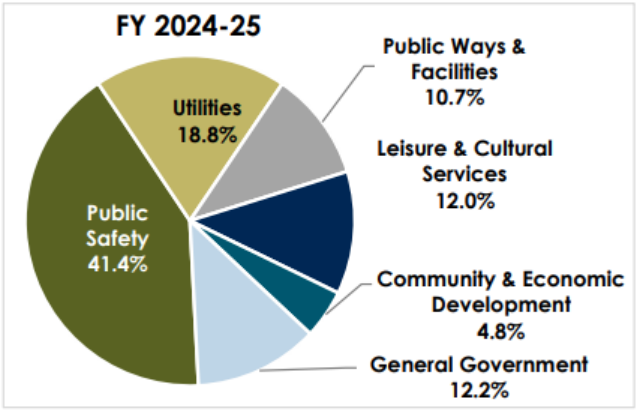
The General Fund is the primary operating fund of the City, supporting nearly all departments. Proposed revenues for the General Fund are estimated at $109.9 million (including $26.7 million from Measure U), while proposed appropriations are $139.8 million. The largest sources of General Fund revenues are sales tax (about 46 percent including Measure U) and property tax (about 20.9 percent).



Personnel costs remain the largest component of the City's operating expenditure budget, with salaries and benefits accounting for $257.2 million or 44.2 percent in 2024-26. The annual breakdown is $125.3 million in 2024-45 and $132.0 million in 2025-26. It is the staff who provide the public services the community depends upon.

Of the full-time positions, the vast majority are in public safety, as shown in the chart below. Within the General Fund, the Police and Fire budgets comprise 286 full-time positions or 41.4 percent of all full-time positions. Since 2010-11 the full-time personnel total has increased about 35.5 percent, while the population of the City has increased by 11.1 percent.

The City has grown from 551 Full-Time positions in 2018-19 to 680 Full-Time positions in 2024-25 (129 positions in 5 years) and this is not financially sustainable. The positions are needed to provide the level of service approved by the City Council.



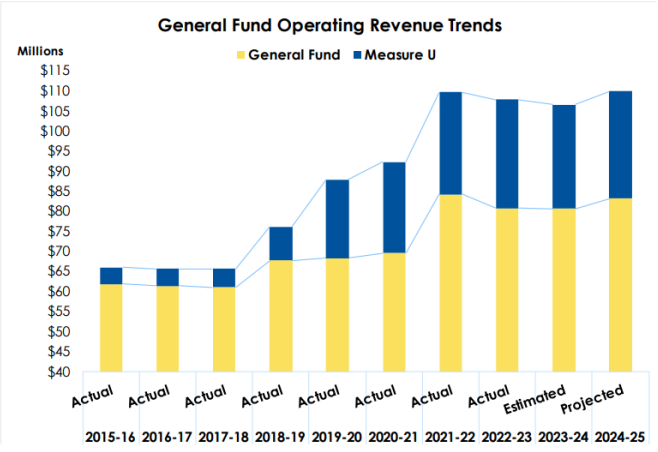
Like hundreds of other public agencies across California, one of the biggest challenges facing the General Fund is adequate revenues. For many governments at all levels (Federal, State, County, City), expenses are growing much faster than revenues. Balancing budgets is increasingly a challenge given the slowing growth of tax revenues, and substantial increases in regulations, costs of staff, services, contracts, insurance, and many other expenses. Structural deficits are real.

At the Federal level, the deficit totals $1.6 trillion in fiscal year 2024, grows to $1.8 trillion in 2025, according to the Congressional Budget Office.

At the State level, the adopted California budget closed a roughly $47 billion General Fund shortfall across a three-year "budget window" (2022-23 through 2024-25) through spending reductions, additional revenue and borrowing. State tax revenues are falling below expectations.

Santa Barbara County adopted a $1.59 billion budget that is $100.3 million larger than the prior year and contains a $6.6 million deficit covered using reserves to avoid reductions in services. The County says that while revenue is anticipated to rebound in future years, it will continue to be outpaced by growing operational costs and reliance on the remaining reserves as well as necessary careful long-term planning. The County has more than 600 vacant positions and may need to eliminate some positions to balance future budgets.

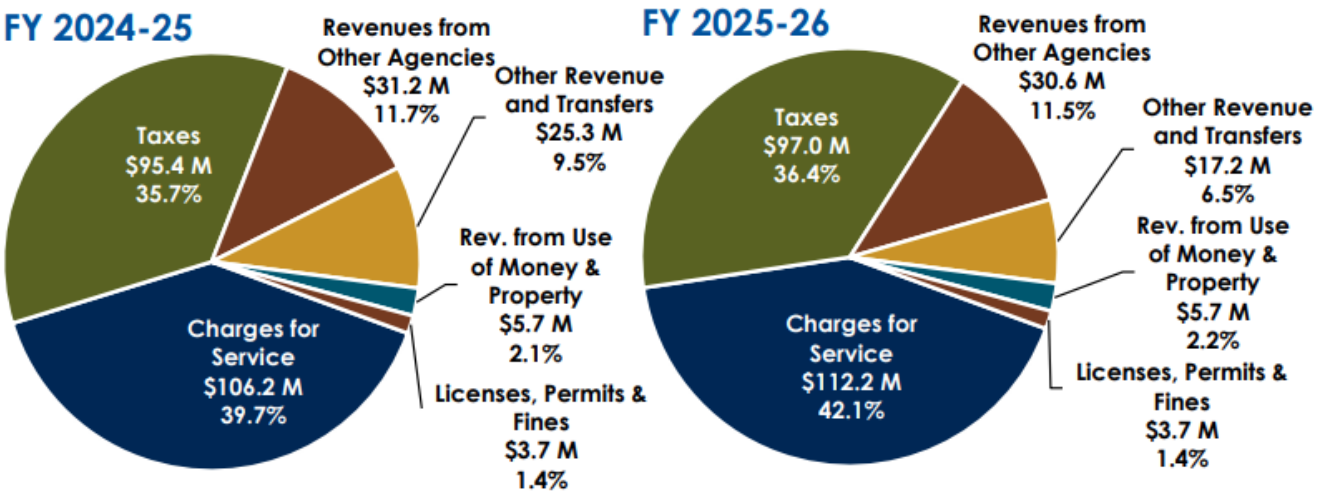
For the City of Santa Maria, the chart below depicts General Fund operating revenue trends over one decade. The blue color depicts the Measure U revenue that the City started to receive in 2012-13. Starting in 2019, Measure U increased from a quarter-cent to a one-cent tax.



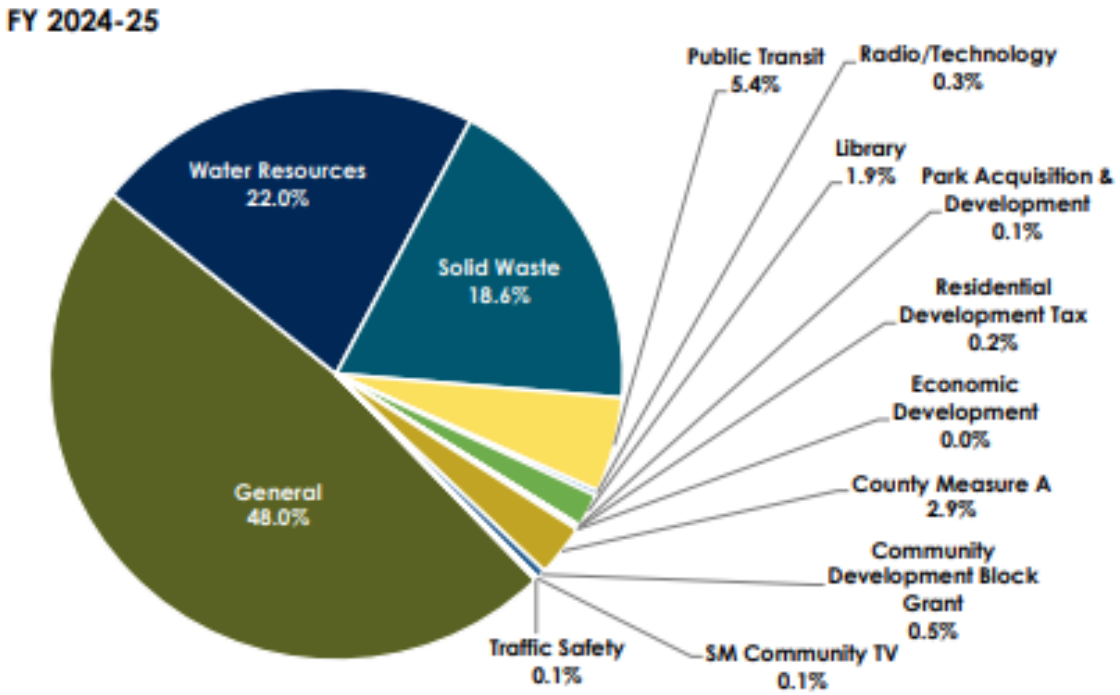
ALL OPERATING FUNDS OVERVIEW

Total revenues anticipated for all operating programs in 2024-25 are estimated to be $267.6 million, or $25.3 million more than in 2023-24. This represents approximately a 10.5 percent increase in total financing.

Tax revenues are expected to increase by 0.5 percent, to $95.4 million in 2024-25 from $94.9 million in 2023-24, due to forecast increases in property taxes. Property taxes (about 20.9 percent of the General Fund revenues) are projected at $26.5 million in 2024-25 and $27.0 million in 2025-26. Sales taxes (including Measure U) comprise about 46 percent of General Fund revenues. Sales tax revenue is projected to drop by 1.6 percent or $485,000 in 2024-25. The Enterprise Funds that among other uses, fund the Utilities Department, are balanced.


FY 2024-25
Revenues from Other Agencies $31.2 M 11.7%
Other Revenue and Transfers $25.3 M 9.5%
Taxes $95.4 M 35.7%
Rev. from Use of Money & Property $5.7 M 2.1%
Charges for Service $106.2 M 39.7%
Licenses, Permits & Fines $3.7 M 1.4%
FY 2025-26
Revenues from Other Agencies $30.6 M 11.5%
Other Revenue and Transfers $17.2 M 6.5%
Taxes $97.0 M 36.4%
Rev. from Use of Money & Property $5.7 M 2.2%
Charges for Service $112.2 M 42.1%
Licenses, Permits & Fines $3.7 M 1.4%

BUDGET BY FUND: OPERATING FUNDS



OVERVIEW OF CAPITAL PROJECTS

In all, the proposed Capital Projects Budget for 2024-25 consists of 64 capital projects representing approximately $115.9 million in appropriations. In all, 169 total projects were requested by operating departments, totaling $148.9 million. The breakdown is $62.2 million in the first year and $53.6 million in the second year. For comparison purposes, the 2022-24 Budget consisted of 151 capital projects totaling $81.1 million in appropriations.

A total of 105 projects (representing approximately $33.0 million) were not funded. It should be noted that eight General Fund projects were not funded due to funding limitations. This is $2.5 million in the first two years of this budget.

The vast majority of capital projects in both years – about 93.4 percent – are financed from non-General Fund sources. The Capital Projects General Fund has $3.5 million in capital expenditures for 2024-25 and $2.8 million 2025-26.

FUNDING SOURCES AND USES

	Adopted FY 2024-25	Adopted FY 2025-26
Funding Sources		
Capital Projects – General Fund	$ 3,507,850	$ 2,849,658
Measure U Fund	1,285,000	20,000
Gas Tax & Transportation Development Act Fund	5,366,458	5,066,458
Growth Mitigation Fund	8,167,000	4,952,720
Residential Development Tax Fund	500,000	500,000
Measure A Fund	2,496,908	2,501,474
Public Transit Fund	5,120,000	6,080,000
Water Fund	5,306,060	8,363,160
Wastewater Fund	4,242,140	14,028,480
Developer / Grant Street Projects Fund	1,977,000	6,818,000
Fleet Services Fund	5,902,133	1,105,247
Solid Waste Disposal Fund	16,739,680	-
Solid Waste Collection Fund	1,251,400	1,198,820
Quimby-Park Acquisition & Development Fund	150,000	150,000
Northwest Landscape District Fund	200,000	-
Total Funding Sources	**$ 62,211,629**	**$ 53,634,017**

LINKING CITY COUNCIL GOALS AND PRIORITIES FOR 2024-25 WITH DEPARTMENT GOALS AND OBJECTIVES

This chart represents the City Council's four City-wide goals and objectives, and its four City-wide priorities, and links them with the departments responsible for carrying them out.

See each Department's section in the Budget book for full details about its goals and objectives.

City Council Goals

	City Attorney's Office	City Manager's Office	Community Development	Finance	Fire	Library	Police	Public Works	Recreation and Parks	Utilities Department
Long-term financial sustainability	*	*	*	*	*	*	*	*	*	*
Community quality of life	*	*	*	*		*	*	*	*	*
Planning and infrastructure	*		*	*	*	*	*	*	*	*
Organizational well-being		*		*	*	*	*	*	*	*

City Council Priorities

	City Attorney's Office	City Manager's Office	Community Development	Finance	Fire	Library	Police	Public Works	Recreation and Parks	Utilities Department
New approach to economic development	*	*	*	*		*	*	*	*	
Provide youth opportunities	*	*	*	*		*	*	*	*	
Provide public safety resources	*	*		*	*	*	*	*	*	*
Establish a staffing plan	*	*		*		*	*	*	*	*